

C O U N C I L C O M M U N I C A T I O N

TO : THE CITY COUNCIL COUNCIL MEETING DATE: DECEMBER 20, 1989
FROM : THE CITY MANAGER'S OFFICE

SUBJECT: REQUEST FOR PROPOSALS TO PROVIDE RATE ANALYSIS SERVICES

RECOMMENDED ACTION: That the City Council authorize the request for proposals from qualified firms interested in reviewing and refining the existing Lodi electric rate design and customer cost allocation methods.

BACKGROUND INFORMATION: Approximately two years ago the Electric Department purchased and installed special recording/storage meters to survey the load profile of our various customer classifications. Since that time, rate structures have changed as well as rate levels; these changes were made based upon assumptions of reasonable cost allocation factors among and between customer classifications.

We have now collected two years of survey load data, and need to audit the assumptions used by comparison to actual customer classification load profiles.

This audit function needs to be performed by a reputable outside agency, both to assure objectivity, but also to obtain insight on more efficient rate principles.

The rate review project schedule requires completion by June 1, 1990 of basic cost-of-service analysis to facilitate our 1990 rate review. Final rate design will be finished in August 1990.

The project will involve at least the following five components:

1. Documented translation of Department account records into Federal Energy Regulatory Commission (FERC) approved standards.
2. Develop appropriate customer class and time-differentiated allocation factors utilizing the two years of stored customer load survey data.
3. Develop a computerized cost-of-service model and allocation method.
4. Develop a marginal cost-of-service study upon which load management incentive and rate structure can be based.
5. Review Departmental rate design in general and develop recommendations of future improvements.

Cost for this rate analysis service is anticipated to be approximately \$33,000. Funding for this project is available in the 1989/90 fiscal year budget.


Henry J. Rice
Electric Utility Director

Attach.

cc: Assist. Electric Utility Director
Manager, Rates & Resources

CITY OF LODI
ELECTRIC UTILITY DEPARTMENT
REQUEST FOR PROPOSALS
TO PROVIDE RATE ANALYSIS SERVICES

DECEMBER 21, 1989

1. INTRODUCTION

The City of Lodi is a California central valley city with a population of 50,000 serving over 23,000 electrical accounts with a total annual (summer) peak load approaching 100 MW. Load growth has been over 9% at times and has averaged over 4% for the last 16 years requiring increasingly larger outlays for power purchases and system expansions. An existing moratorium on new residential development projects is due to expire January 1991 with the completion of a water treatment plant expansion, possibly triggering further sharp increases in the need for electric power resources and system expansions.

The City currently meets its power requirements through its Joint Powers Agency, the Northern California Power Agency (NCPA), and the Western Area Power Administration.

This request for proposals (RFP) is being issued by the City of Lodi (City) to receive proposals from qualified firms interested in providing rate analysis services, including embedded and marginal cost of service (COS) studies, for the Electric Utility Department (Department).

2. GENERAL DESCRIPTION OF PROJECT

The current rate structure evolved from embedded costs along with an awareness of the need to be competitive with the surrounding investor owned utility. Schedules currently in effect are: residential, master-metered mobile home park, three progressively larger commercial/industrial classes, municipal, dusk to dawn lighting, standby service and energy purchase.

The City desires a cost of service study to review the impact of moving toward more **cost-based** rates which better reflect **the** true cost of doing business, insure sufficient revenue to meet growing power supply requirements, and allocate costs to all customer groups based on an equitable, understandable and defensible methodology.

An initial project memo will be developed for this engagement which will outline the various issues highlighted by Department staff to be reviewed, the firm's proposed approach of addressing the various issues and a project schedule.

At the conclusion of the engagement, the firm will provide Department staff with a final report regarding the findings and recommendations of the project, copies of any software or software applications developed in conjunction with the project as well as all data disks.

Two public presentations to City policy makers and management may be required. The first presentation would be to City policy makers and/or management to outline the final scope of services for the project and to discuss possible study approaches to address all outstanding issues. It is also likely that a final presentation to City policy makers and management at a city Council meeting would be desirable at the conclusion of all analyses.

3. SCOPE OF PROJECT

The project as envisioned by Department staff will consist of five components. These components are outlined below. Bids should include itemized cost projections for each component separately.

A. Accounting Information

Currently the Electric Utility's financial records are maintained by the City's Finance Department using municipal accounting methodology. Translation of the Electric Utility's accounting records into FERC equivalents is expected to be the first project step. Documentation of the translation process is also a requirement.

B. Load Data Analysis and Recommendations

The Electric Utility Department has approximately two years of survey data available for residential and medium commercial customers. Load data records are also maintained for all large commercial customers. No load information is maintained by the Department for small commercial or municipal accounts. NCPA has commercial data available by SIC codes and additional residential data. Billing data is available for all accounts. Satisfactory completion of this component will result in: 1) an on-going methodology to develop class and time-differentiated allocation factors; 2) development of recommendations for future refinements and improvements to be implemented as resources become available.

C. Embedded Cost of Service

The consultant will work with Department staff to develop a computerized time-differentiated embedded cost of service model and allocation factors, and to recommend assumptions to be used with the model. Satisfactory completion of this component will result in: 1) development of an ongoing system which will enable the Department to update COS information on a current and forecast basis; and 2) development of recommendations for future refinements and improvements to be implemented as resources become available.

D. Marginal Cost of Service

The consultant will work with Department staff to develop a marginal cost of service study for use in developing incentive and load management rates, and in determining the City's **avoided** costs.

E. Rate Design

The Department is also requesting assistance in developing new types of rate design. These would include residential and commercial time-of-use rates, and rates for City enterprise funds.

4. **PROJECT SCHEDULE**

January 19, 1990 - **Deadline** for submittal of proposals

February 15, 1990 - Award date (projected)

June 1, 1990 - Completion of Embedded Cost of Service Study (includes Accounting Information, current Load Data Analysis, and Embedded Cost of Service components)

August 1, 1990 - Completion of Rate Design, Marginal Cost of Service, and Load Data Recommendations components.

5. SELECTION PROCESS

The selection of the firm will be made by the Electric Utility Department based on the firm's ability to provide the services required and on the response to the information requested. This selection will be based solely on the Department's judgement of the most qualified respondent. Furthermore, the Department reserves the right to reject any or all proposals, to waive irregularities or informalities in any or all proposals and to accept any proposal which is deemed to be in the best interest of the City.

6. SUBMITTAL OF PROPOSALS

A. Due Date

Proposals will be received until 5:00 p.m., Pacific Standard Time, January 19, 1990. Proposals postmarked or hand delivered after January 19, 1990 will not be accepted.

B. Number of Copies/Method of Delivery

Prospective firms shall submit five (5) copies of their proposals to:

John L. Stone
Manager, Rates and Resources
City of Lodi Electric Utility Department
1331 South Ham Lane
Lodi, California 95242-3904

C. Procedural and Information Questions

Any questions regarding this proposal or additional information required by the respondents should be directed to:

John L. Stone, Manager, Rates and Resources,
James Doyle, Senior Electric Utility Rate Analyst, or
Nancy Bougher, Electric Utility Rate Analyst
1331 South Ham Lane
Lodi, California 95242-3904
(209) 333-6748

Copies of the RFP may be picked up at 1331 South Ham Lane, Lodi, California or requested to be mailed by calling (209) 333-6748.

D. Proposal Costs

The City is not liable for any cost incurred by a proposer responding to this RFP.

E. Insurance/Indemnification

The consultant shall defend, indemnify and save harmless the City, its officers and employees from and against any and all claims, demands, losses, defenses, costs or liability of any kind or nature which the City, its officers and/or employees may sustain or incur, or which may be imposed upon them for injury to or death of persons, or damage to property arising out of the consultant's activity or passively negligent performance or attempted negligent performance of this agreement, excepting only liability arising out of the wilful misconduct or negligence of the City, its officers or employees.

F. Acceptance of Proposal Contents

After the consulting firm is selected by the Department, the contents of **the** submitted proposal will become a contractual obligation. Failure of the consultant to agree to **include** the proposal as part of the contractual agreement may result in cancellation of the award. The Department reserves the right to reject those parts that do not meet with the approval of the Department.

7. CONTENTS OF PROPOSAL

Each proposal should contain the following information:

A. Title Page

Show the RFP subject, name of the firm, mailing address, telephone number, name and title of contact person and date of submission.

B. Project Memo

A project memo outlining the various issues to be reviewed, the firm's proposed approach of addressing the various issues and a detailed schedule for completing the project. The schedule should reference the guidelines listed above and include measurable milestones. Alternative scenarios with differing levels of Department and/or City staff involvement and alternative schedules may be submitted.

C. Fee Schedule

Each proposal shall contain an itemized listing for each component of services to be provided, key personnel expected to **be** assigned to the respective components, expected level of Department and/or City staff involvement, and projected consultant hours and **expenses**.

A complete schedule of fees for each level of staff work, along with per diem, travel, general administrative and other fees, shall be included.

D. General Background Information

For general background information, the following is required:

1. The organization and size of the proposer, whether it is local, regional, **or** national in operations and the location of the main office.
2. The location of the office from which the work is to be done and the number of professional staff by staff level employed at that office.
3. The names, **titles**, and educational and professional resumes for each of the key people on the proposal team.
4. A minimum of two references for each of the project personnel listed above. Each reference should include a contact person and phone number.